

## Message Text

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PAGE 01 STATE 120547

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R 132145Z JUN 75

FM SECSTATE WASHDC

TO ALL AFRICAN DIPLOMATIC POSTS

ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

ALL NEAR EASTERN AND SOUTH ASIAN DIPLOMATIC POSTS

USCINCSO

XMT AMEMBASSY JIDDA

UNCLAS STATE 120547

FOLLOWING REPEAT STATE 120547 ACTION JIDDA 22 MAY 75

QUOTE

UNCLAS STATE 120547

E.O. 11652: N/A

TAGS: ECIN, ENRG

SUBJECT: INFORMATION ON FINANCING OIL DEFICITS

REFC JIDDA 3354

1. THE IMF OIL FACILITY WAS ESTABLISHED IN MID-1974 "TO ASSIST MEMBERS IN MEETING THE INITIAL IMPACT OF THE INCREASES IN OIL COSTS". ALL FUND MEMBERS ARE ELIGIBLE FOR DRAWINGS IN CASE OF NEED. BORROWING LIMITS WERE SET RELATIVE TO INCREMENTAL OIL-IMPORT COSTS. PLEDGES OF SDR 3.1 BILLION WERE RECEIVED MOSTLY FROM THE MAJOR OIL EXPORTING COUNTRIES. THE INTEREST RATE WAS 7 PERCENT, AND LOANS WERE DENOMINATED IN SDR. AS OF MARCH 31, 1975,  
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PAGE 02 STATE 120547

SDR 2-1/2 BILLION HAD BEEN DRAWN BY 38 MEMBER COUNTRIES. (LESS THAN HALF OF THIS AMOUNT WAS DRAWN BY LDCS.) IN JANUARY, 1975, THE IMF INTERIM COMMITTEE AUTHORIZED EXPANSION OF THE OIL FACILITY FOR 1975 WITH BORROWING UP TO SDR 5 BILLION. THE TOTAL OF PLEDGES TO THE 1975 OIL FACILITY SO FAR TOTAL SDR 2.1 BILLION.

2. THE INTERIM COMMITTEE ALSO ENDORSED A PROPOSAL TO ESTABLISH A SPECIAL SUBSIDY ACCOUNT TO REDUCE, FOR MEMBER COUNTRIES, THE INTEREST BURDEN PAYABLE ON OIL FACILITY

DRAWINGS, FUNDED BY CONTRIBUTIONS FROM OIL EXPORTING AND INDUSTRIALIZED COUNTRIES. TO DATE NO FIRM PLEDGES TO THE SPECIAL SUBSIDY ACCOUNTS HAVE BEEN MADE, AND THE AMOUNT HAS NOT BEEN FORMALLY ESTABLISHED.

3. AN AGREEMENT TO ESTABLISH THE FINANCIAL SUPPORT FUND UNDER THE AUSPICES OF THE OECD WAS SIGNED IN PARIS, APRIL 9, WITH MEMBERSHIP OPEN TO ALL OECD COUNTRIES. ALL OECD MEMBERS BUT TURKEY HAVE SIGNED AS OF THIS DATE. THE SUPPORT FUND WAS NOT ESTABLISHED TO FINANCE "OIL DEFICITS". IT IS NOT DESIGNED AS A REGULAR FINANCING CHANNEL, BUT RATHER AS A "SAFETY NET," PROVIDING INSURANCE TO MEMBER COUNTRIES ENCOUNTERING SERIOUS EXTERNAL FINANCIAL DIFFICULTIES. WHEN SUFFICIENT RATIFICATION IS OBTAINED THE FUND WILL BE AVAILABLE FOR

A PERIOD OF TWO YEARS, TO PROVIDE LOANS TO MEMBER COUNTRIES, PROVIDED THAT THE COUNTRY HAS MADE THE FULL AND APPROPRIATE USE OF OTHER RESOURCES AND IS FOLLOWING APPROPRIATE DOMESTIC AND INTERNATIONAL ECONOMIC POLICIES, INCLUDING ADEQUATE BALANCE OF PAYMENTS POLICIES AND COOPERATIVE POLICIES TO PROMOTE INCREASED DOMESTIC PRODUCTION AND CONSERVATION OF ENERGY. QUOTAS ARE ESTABLISHED BY A TWO-THIRDS MAJORITY VOTE (WEIGHED BY QUOTA), BETWEEN 100-200 PERCENT WITH A 90 PERCENT MAJORITY, AND BEYOND THAT WITH UNANIMOUS AGREEMENT. TOTAL QUOTAS SUM TO SDR 20 BILLION. FINANCING IS BY INDIVIDUAL COMMITMENTS BY MEMBER COUNTRIES.

UNCLASSIFIED

PAGE 03 STATE 120547

COUNTRIES, OR BORROWING BY THE SUPPORT FUND IN FINANCIAL MARKETS ON THE BASIS OF A COLLECTIVE GUARANTEE BY ALL MEMBER COUNTRIES.

4. THE EC HAS AGREED TO ESTABLISH A EUROPEAN COMMON BORROWING FACILITY WHICH WOULD LEND TO EC MEMBER COUNTRIES

IN ALANCE OF PAYMENTS NEED. THIS NEED WOULD NOT NECESSARILY BE RELATED TO "OIL DEFICITS." FUNDS WOULD BE DERIVED FROM JOINT EC BORROWINGS FROM OPEC COUNTRIES. MAXIMUM BORROWINGS WOULD BE ABOUT DOLLARS 2 BILLION.

5. THE UN EMERGENCY OPERATION (UNEO) WAS ESTABLISHED TO PROVIDE GRANTS TO UN-DESIGNATED MSAS. AS OF APRIL 1975 IT HAD COMMITMENTS OF DOLLARS 275 MILLION. MAJOR DONORS INCLUDED 6 OPEC MEMBERS, THE EEC, NORWAY, SWEDEN AND YUGOSLAVIA.

6. THE UN SPECIAL FUND IS DESIGNED TO PROVIDE LONGER-TERM ASSISTANCE TO LDCS ADVERSELY AFFECTED BY INCREASED OIL AND COMMODITY PRICES, THE FUND HAS ONLY RECEIVED

ONE PLEDGE OF DOLLARS 6.5 MILLION. IT CAME FROM JAPAN.

7. FOR MORE INFORMATION WE SUGGEST YOU CHECK BACK ISSUES OF THE PERIODICAL (THE IMF SURVEY), INGERSOLL

UNQUOTE. KISSINGER

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NNN

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